



Department of Medical Assistance Services  
600 East Broad Street, Suite 1300  
Richmond, Virginia 23219

<http://www.dmas.state.va.us>

# MEDICAID MEMO

TO: All Providers participating in the Virginia Medical Assistance Program, FAMIS, SLH, and Managed Care Organizations providing services to Virginia Medicaid and FAMIS recipients

FROM: Patrick W. Finnerty, Director  
Department of Medical Assistance Services

MEMO Special  
DATE 3/26/2003

SUBJECT: HIPAA Transactions and Code Sets Testing Update and Provider Readiness Survey

In December 2002, the Department of Medical Assistance Services (DMAS) notified you that details regarding business-to-business testing of Health Insurance Portability and Accountability Act (HIPAA) Transactions and Code Sets would be forthcoming. This memo provides details on the testing procedures and schedule, as well as additional information regarding non-HIPAA related programming changes that may be required due to the enhanced capabilities of our new Medicaid Management Information System (MMIS). The HIPAA Transactions and Code Sets testing will be conducted as required by law and in preparation for implementation of our new, fully HIPAA-compliant MMIS on June 20, 2003. **We recognize that this memo is lengthy, however, it contains very important information regarding DMAS' HIPAA compliance initiatives and trading-partner testing. Please take the time to read it carefully.**

**Standard Transactions and Code Sets Implementation Schedule:** DMAS' new MMIS will be compliant with all HIPAA-required Accredited Standards Committee (ASC) transactions version 4010A1 (with Addendum) and national code sets. These transactions include the following: X12N 837 Claims and Coordination of Benefits (COB), X12N 835 Remittance Advice, the X12N 270/271 Eligibility Inquiry and Response, the X12N 278 Prior Authorization, the X12N 276/277 Claims Status Inquiry and Response, and the X12N 820 HMO Premium Payment and X12N 834 HMO Roster. In addition, Pharmacy Claims will use NCPDP Point-of-sale version 5.1 or Batch version 1.1.

When the MMIS is implemented on June 20, 2003, use of most of these standard transactions and national code sets will be optional. The exceptions are the 820 HMO Premium Payment,

834 Roster transactions, NCPDP version 5.1 Point-of-sale or Batch version 1.1 which are all required by DMAS by June 20, 2003. The format for electronically-submitted claims, as National Standard Formats (NSF) and local codes, will continue to be available. However, when compliance with HIPAA becomes mandatory on October 16, 2003, only HIPAA transactions and national code sets will be accepted for electronic claims submission. Managed Care Organizations will be required to accept the X12N 820 HMO Premium Payment and the X12N 834 HMO Roster at implementation. Paper claims will continue to be accepted after October 15, 2003, but only national codes will be accepted for claims with dates of service on or after October 16, 2003 for either paper or electronic.

**Supporting Websites:** DMAS and its fiscal agent, First Health Services Corporation (FHSC), have established websites for the dissemination of HIPAA-related information of interest to providers and other DMAS business partners. The FHSC website at <http://virginia.fhsc.com> contains information to assist you with preparations for trading partner testing and the provision of technical support. The DMAS website at <http://www.dmas.state.va.us> provides general information regarding HIPAA and will also serve as a reference guide for provider-related information we need to convey, including updates to our local-to-national code-sets crosswalks. Please continue to check these websites for up-to-date information on our HIPAA compliance initiatives.

**Trading Partner Testing Procedures:** In keeping with the Standard Transactions and Code Sets Final Rule, DMAS will begin trading-partner testing on April 16, 2003. Trading partner testing will involve a series of steps from filing Service Center Agreement forms for the new EDI transactions to accessing Service Center Procedure Manuals. FHSC will be providing technical support for this testing. Five steps to conduct EDI testing can be found under **Help Files** as **HIPAA 5-Steps Testing Guidelines** on the FHSC website: <http://virginia.fhsc.com>.

**HIPAA Service Center User Manual and Electronic Transaction Agreement Forms:** The FHSC website referenced above provides the instructions and forms necessary to begin submitting and receiving HIPAA transactions electronically. The instructions are in the Service Center User Manual, available for download from the website. The appendix of this manual also contains the necessary forms for registration with DMAS, along with instructions on completing them. The forms are also available individually on the website. Each DMAS trading partner who intends to transmit or receive data electronically must complete the forms. Each service center wishing to transmit or receive data **must** obtain a new service center number from DMAS for all HIPAA standard transactions. This is accomplished by completing the Submission of Electronic Transactions Agreement for Service Centers and Service Center Operational Information forms. In addition, all providers **must** complete the Provider Service Center Authorization form, designating which transactions the service center will perform for them.

**HIPAA Implementation Guides and DMAS Companion Guides:** The HIPAA Implementation Guides adopted for use are published by the Washington Publishing Company and can be accessed at the following website: [http://www.wpc-edi.com/hipaa/HIPAA\\_40.asp](http://www.wpc-edi.com/hipaa/HIPAA_40.asp). DMAS has authored companion guides that supplement the HIPAA Implementation Guides with instructions on doing

business with DMAS. The DMAS Companion Guides can be accessed at the FHSC website: <http://virginia.fhsc.com>.

**Transmitting and Receiving Electronic Files:** HIPAA Standard Transactions will require that **all Service Centers** use some form of **FTP Server/Client Software** for sending or receiving electronic data. Service Centers will be required to test this software with transactions and code sets beginning on April 16, 2003. The current bulletin board dial-up access will continue to be used for National Standard Format (NSF) claims until **October 16, 2003** when it will cease to be operational. FHSC's file encryption software for SSL FTP file transfer is **WS\_FTP™**. It provides 128-bit encryption. Software support is provided by **WS\_FTP™** via e-mail. Each service center is responsible for purchasing or obtaining encryption "Client" software. A search engine may be used to identify other low cost solutions. The FTP client software must comply with the Internet Standards for FTP protocol.

**Elimination of Local Codes:** The HIPAA Transactions and Code Sets regulations prohibit the use of local codes for procedures. DMAS will not accept local codes for claims with dates of service after October 15, 2003. If you are a provider and submit claims electronically, the ASC X12 837 you submit for dates of service after that date will need to use national codes. If you are a provider and submit claims on paper for dates of service after that date, you will need to use national codes as well. In either situation, if you submit claims with local codes that have dates of service after October 15, 2003, the claims will be denied. The majority of local codes were identified with alpha "Y" or "Z" as the first character in the code. DMAS has developed an automated search crosswalk for local codes to standard national codes (Healthcare Common Procedure Coding System, Level 1-111 and the Current Dental Terminology). This crosswalk can be viewed and printed from the DMAS website at: <http://www.dmas.state.va.us>.

**MCO HIPAA Transactions:** Because MCOs must be ready to receive the 834 Roster and 820 Payment as well as submit the 837 for encounter claims and NCPDP for pharmacy claims in the new required standard formats on June 20, 2003, it is imperative that DMAS' Managed Care Division receive your readiness plan as soon as possible. Although your involvement in formal testing will not begin until April 16, 2003, on-site visits to review your readiness plan and other details will be scheduled before this date.

**Third Party Certification:** As previously communicated, DMAS is requiring that clearing houses, intermediaries, and software vendors who submit electronic transactions directly to our fiscal agent provide proof of transaction testing and certification through **Level II**, as outlined by WEDI. This certification is a prerequisite to business-to-business testing with DMAS. Certification can be through Claredi or another certifying entity. Although we are not requiring certification for Levels III through VI, we strongly recommend that the additional certification be obtained. DMAS will be certifying its outbound transactions to Level VI through Claredi. Additional information on Claredi certification can be found at: [www.Claredi.com](http://www.Claredi.com).

**Other New MMIS Impacts:** The new MMIS contains a number of enhancements, and certain of these enhancements will impact paper claim forms in the form of new and expanded fields. More detailed information will be provided at a later date in the form of updates to DMAS' Provider Manuals and our training sessions. However, if you employ a process to electronically generate paper claims, we wanted to give you advance notice of these changes in the event that your computer programs are impacted. DMAS is in the process of compiling detailed documentation for each claim form. This documentation has been completed for the UB-92, ADA 1994, and the HCFA-1500 claim forms, and it will be posted to FHSC's website at <http://virginia.fhsc.com> no later than April 1, 2003. Documentation for DMAS' Title XVIII, Pharmacy, and new Compound Prescription claim forms will be posted as soon as it is finalized. Continue to watch the FHSC website for up-to-date information. These changes will apply to all claim forms postmarked after May 30, 2003.

**Provider Outreach and Training:** Shortly before the new MMIS implementation on June 20, 2003, training will be offered to all interested providers. The training will focus on significant enhancements in the new system that may impact the procedures you currently have in place to conduct business with DMAS. Training will be performed via videoconference and will be hosted from 10 sites statewide. Training notices regarding the videoconferences will be mailed to all providers in April. You will also be able to view them on the Learning Network at: <http://www.dmas.state.va.us>. Continue to watch the Learning Network for upcoming training event information.

**Provider Readiness Survey:** Included with this memo is a brief two-page survey. This survey will help us monitor provider readiness for compliance with HIPAA Transactions and Code Sets requirements. It will also help us improve the support we will be providing during the upcoming testing. Please take a few minutes to complete the survey. If possible, fax your completed survey to the number listed in Section 4 of the survey. However, if you prefer to mail your response, an address is also listed in this section. We are requesting that you return your completed survey within 10 days of receiving this memo.

## **COPIES OF MANUALS**

DMAS publishes copies of its provider manuals and provider manual up-date transmittals on its website at [www.dmas.state.va.us](http://www.dmas.state.va.us). The provider manuals and transmittals can be viewed on and printed from the website. The transmittals describe the updated materials and manual chapters and pages revised. For a list of updates, click on "up-date transmittals" in the "Provider Manuals" column. If you do not have access to the Internet, or would like a paper copy of a manual, you can order these by contacting Commonwealth-Martin at 804-780-0076. A fee will be charged for the printing and mailing of the manuals and manual updates requested.

**“HELPLINE”**

The “HELPLINE” is available Monday through Friday from 8:30 a.m. to 4:30 p.m., except State holidays, to answer questions. The “HELPLINE” numbers are:

786-6273	Richmond area
1-800-552-8627	All other areas

Please remember that the “HELPLINE” is for provider use only.

Attachment

## Department of Medical Assistance Services (DMAS)

### HIPAA Readiness and Support Survey

Section 1: Company's Contact Information				
Contact Person's Name:		Provider's Name:		
Telephone Number:		Provider Identification Number:		
E-mail:				
<b>Section 2: Support for Electronic Transactions - Purpose:</b> The purpose of the following section is to determine what your plans are for submitting electronic Transactions by October 16, 2003 (not your current practices).				
<b>Directions:</b> Please check "yes or no" to indicate whether your company supports, or plans to support, each type of HIPAA electronic transactions related to Virginia Medicaid and provide dates if needed.				
Transaction Name and Number	Does your company currently support this transaction?	If no, does your company plan to support it in the future?	Does your company plan to test this transaction with FHSC/DMAS for HIPAA compliance?	Anticipated date your company will be ready to test with FHSC / DMAS.
1. Healthcare Eligibility Benefit Inquiry (270):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
2. Healthcare Eligibility Benefit Response (271):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
3. Healthcare Claim Status Request (276):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
4. Healthcare Claim Status Notification (277):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
5. Healthcare Service Review Information (278):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____

## Department of Medical Assistance Services (DMAS)

### HIPAA Readiness and Support Survey

Transaction Name and Number	Does your company currently support this transaction?	If no, does your company plan to support it in the future?	Does your company plan to test this transaction with FHSC/DMAS for HIPAA compliance?	Anticipated date your company will be ready to test with FHSC / DMAS.
6. Healthcare Claim Payment Advice (835):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
7. Institutional Services Claim (837):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
8. Professional Services Claim (837):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
9. Dental Services Claim (837):	Yes _____ No _____	Yes _____ No _____	Yes _____ No _____	Date ____/____/____
<b>Section 3: Additional Questions - Directions:</b> Please choose one answer that most accurately describes your company's activities related to planning for the implementation of the HIPAA rules and regulations.				
10. Do you use a HIPAA-Compliant practice management software to submit Virginia Medicaid claims?			Yes	No
11. Do you plan to contract with a clearinghouse for assistance in submitting HIPAA-Compliant Virginia Medicaid claims?				
12. Does your company plan to contract with a third-party vendor to TEST for HIPAA compliance of your electronic transactions?				
13. Do you plan to contract with a third-party vendor to CERTIFY you HIPAA compliance?				
<b>Section 4: Sending Information - Please return within 10 days of receiving. Thank you for your assistance.</b>				

**Department of Medical Assistance Services (DMAS)**  
**HIPAA Readiness and Support Survey**

**FAX to:** 804/965-7547 - Attn: Melody Bandy

**Or Mail to:** First Health Services Corporation, 4300 Cox Rd., Glen Allen VA, 23060, Attn: Melody Bandy

Watch for announcements and additional HIPAA information on the DMAS Web Site at [www.dmas.state.va.us](http://www.dmas.state.va.us) and click on HIPAA.